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ABSTRACT

This study investigated differences in per-pupil spending between districts with the greatest number of poor and minority students and those with the fewest poor and minority students. It analyzed a specially-constructed database containing demographic and finance data for over 15,000 school districts in 1999-00. The analysis included state and local revenues only and did not include federal dollars. Results indicated that districts serving the greatest number of poor students and the greatest number of minority students received less state and local money. While the national gap between high- and low-poverty districts was shrinking, it had increased significantly in nine states. In order to close these gaps, states must reduce reliance on local property taxes by assuming a greater share of overall school funding and heavily target poorer districts when distributing state tax revenues. (SM)

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Just as with student achievement data, looking at education finance data strictly by averages can mask serious inequities. For example, the Census Bureau recently released state average per pupil expenditure data, which were reported on widely in the press. Yet many of the very same states that appear to be doing the most in reports like this—New York and Pennsylvania, for instance—spend far less on the education of poor and minority children than they do on other children. So they may be spending a lot, but they certainly are not spending it equitably.

This report gets underneath those averages. It reveals deep fiscal inequities for both low-income and minority students. While there are some differences among the states, in general we found that:

- In most states, districts with high numbers of low-income students receive substantially fewer state and local dollars per pupil than districts with few such students;
- While the funding gap between high- and low-poverty districts has narrowed somewhat over the past several years in the nation as a whole, it has increased significantly in 9 states.
- In most states, districts with high numbers of minority students also receive substantially fewer state and local dollars per pupil than do their counterparts with few minority students.

Why Is the Funding Gap Important?

During the past decade, with encouragement and support from the federal government, 49 states and the District of Columbia, have put into place new and higher standards for what children should learn during their elementary and secondary years. Since putting their standards into place, many states have made significant progress in increasing the number of students meeting those standards. But in most states, there remains a wide gap separating poor and minority children from other children.

Dissatisfaction with progress in closing the gaps between different groups of children prompted Congress to pass the No Child Left Behind Act. That act, for the first time in our history, holds educators accountable for improving the performance of **every** group of students. But our analysis reveals that, in most states, *school districts that educate the greatest number of poor and minority students have less state and local money to spend per student than districts with the fewest poor and minority students*. This will inevitably impede their efforts to help their students reach state standards.

Many argue that fiscal inequities of this sort won't matter, because the effects of poverty and family background overwhelm anything that schools can do. But our experience and a growing body of research teach us that all children can achieve at high levels when the right combination of tools and strategies are employed. These include: high expectations and clear standards that are applied to all students, rigorous curricula, well prepared teachers supported with high quality professional development, additional instructional time for students who aren't meeting standards, and more focused resources. And yes, these things cost money.

What This Report Does and Doesn't Do

This analysis includes state and local revenues only, and does not include federal dollars. It recognizes that federal education dollars are intended to supplement, not supplant, tax revenues raised from state and local sources.

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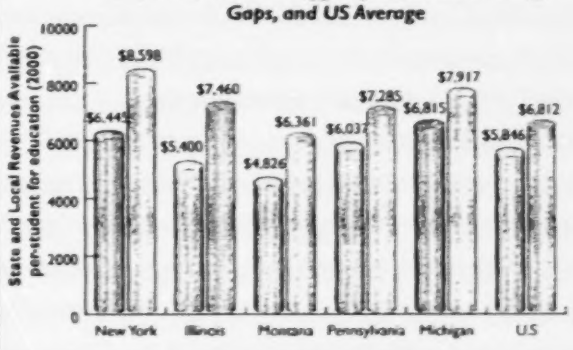
We want to be clear: this particular report looks simply at the availability of funding; it does not look into policy or practice. This is not to imply that policy is unimportant. In fact, the great majority of the Education Trust's work focuses on education policy and practice. In other words, we believe that how the dollars are spent is just as important as how many dollars there are. Consequently, because this report stops short of analyzing how districts spend the dollars available to them, we would strongly encourage readers to look beyond the data presented here to get a fuller picture of how these dollar differences play out in differential learning opportunities from district to district—or, for that matter, within district. That said, dollars do matter, and inequity in the distribution of dollars sends a strong signal about the distribution of the critical resources that money can buy.

Chart 1

Poor Children Receive Fewer State and Local Dollars: States with Biggest per-student Funding Gaps, and US Average



Source: The Education Trust Analysis by Greg F. Orlofsky based on 1999-2000 U.S. Department of Education and U.S. Census Bureau data.

What Did We Find?

Finding #1. Districts Serving the Greatest Number of Poor Students Get Less State and Local Money

In 30 of 47 states studied, the quarter of districts educating the greatest number of poor students get substantially less (i.e. a difference of $100 or more per student) state and local money per student than the quarter of districts educating the fewest poor students. Nationally, districts that educate the greatest number of poor students receive $966 less per student than low-poverty districts, a significant gap that has real consequences for the quality of education low-income children receive.

In New York, the state with the largest gap, there is a difference of $2,152 per student between state and local revenues available in high-poverty districts and revenues available in low-poverty districts. This gap translates into a difference of $860,800 between two elementary schools of 400 students each, enough to compete with elite suburban schools for the most qualified teachers and to provide the kinds of additional instructional time and other resources that research and data show can make a difference. Chart 1 shows the states with the largest funding gaps, as well as the national gap (see Table 1 for full state-by-state data by poverty).

As is clear in Chart 2, these per-student funding gaps add up...quickly. Consider what the per-student funding gap might translate into for a typical classroom of 25 students, or a typical elementary school of 400 students.

Chart 2

These per-student funding gaps add up . . . Quickly.

For example, when you consider the per-student funding gap* by poverty in . . .	For a typical classroom of 25 students, that might translate into the difference of . . .	For a typical elementary school of 400 students, that might translate into the difference of . . .
New York	$53,800	$860,800
Illinois	$51,500	$824,000
Montana	$38,375	$614,000
Pennsylvania	$31,200	$499,200
Michigan	$27,575	$441,200

* Funding gap is the per-student difference in state and local revenues available for education between the quarter of districts in each state with the lowest child poverty rates and the quarter of districts with the highest child poverty rates. For full state-by-state funding gap figures by district poverty, see Table 1.

Source: The Education Trust Analysis by Greg F. Orlofsky based on 1999-2000 U.S. Department of Education and U.S. Census Bureau data.

[1]The District of Columbia and Hawaii are not analyzed because each has a single school district.

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Table 1:

Districts Educating Greatest Numbers of Poor Children Have Fewer State and Local Revenues to Spend on Education: 1999-2000

(state and local revenues available per-student for education in the quarter of districts with the lowest child poverty vs. quarter of districts with the highest child poverty):

State	Lowest -poverty districts	Highest -poverty districts	Gap between revenues available PER STUDENT in the highest-and lowest-poverty districts
Alabama	$6,250	$5,259	$991
Alaska**	N/A	N/A	N/A
Arizona	$5,505	$4,660	$845
Arkansas	$5,351	$5,275	$76
California	$5,261	$5,202	$59
Colorado	$6,259	$5,672	$587
Connecticut	$7,641	$7,635	$6
Delaware**	N/A	N/A	N/A
District of Columbia*	*	*	*
Florida	$5,702	$5,656	$46
Georgia	$6,659	$6,665	-$6
Hawaii*	*	*	*
Idaho	$5,050	$4,893	$157
Illinois	$7,460	$5,400	$2,060
Indiana	$7,247	$7,038	$210
Iowa	$7,005	$6,534	$471
Kansas	$6,542	$6,476	$66
Kentucky	$5,317	$5,450	-$133
Louisiana	$5,512	$4,718	$793
Maine	$6,560	$6,412	$148
Maryland	$7,020	$6,108	$912
Massachusetts	$6,155	$6,686	-$530
Michigan	$7,917	$6,815	$1,103
Minnesota	$6,724	$7,325	-$601
Mississippi	$4,520	$4,387	$133
Missouri	$6,430	$6,146	$284
Montana	$6,361	$4,826	$1,535
Nebraska	$6,521	$6,005	$516
Nevada	$5,706	$5,986	-$280
New Hampshire	$6,129	$5,395	$733
New Jersey	$9,058	$9,382	-$324
New Mexico	$4,959	$4,873	$86
New York	$8,598	$6,445	$2,152
North Carolina	$5,995	$5,881	$114
North Dakota	$5,639	$5,546	$93
Ohio	$6,732	$6,338	$394
Oklahoma	$4,650	$4,707	-$57
Oregon	$5,971	$6,341	-$371
Pennsylvania	$7,285	$6,037	$1,248
Rhode Island	$6,406	$6,133	$273
South Carolina	$6,027	$5,695	$332
South Dakota	$5,703	$5,532	$171
Tennessee	$4,591	$5,088	-$497
Texas	$6,092	$5,574	$518
Utah	$4,425	$4,847	-$422
Vermont	$9,274	$8,335	$939
Virginia	$6,874	$5,989	$885
Washington	$5,789	$5,644	$145
West Virginia	$6,148	$5,949	$199
Wisconsin	$7,526	$7,375	$151
Wyoming	$7,653	$6,938	$715
U.S.	$6,812	$5,846	$966

*Hawaii and the District of Columbia each have only a single district.
**States were excluded from this analysis if the district poverty level at the 75th percentile wasn't at least 25% higher than the district poverty level at the 25th percentile.
Source: The Education Trust. Analysis by Greg F. Orlofsky based on 1999-2000 U.S. Department of Education and U.S. Census Bureau Data.

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Finding #2. Nationally, Gap Between High- and Low-Poverty Districts Shrinking—But Some States Getting Worse

There are some hopeful signs. The national gap in state and local funding between the highest- and lowest-poverty districts fell from $1,139 to $966 between 1997 and 2000 (the latest year for which data currently are available).[2] New Jersey has made the most progress on this measure; its gap fell $690 over this period. These gains, however, are offset by the 9 states where gaps appear to have grown substantially larger (ie. grown by more than $100/student) since 1997[3]. One such state is Arizona. In 1997, the highest poverty districts received $387 less per student in state and local revenues than the lowest poverty districts. By 2000, that gap had more than doubled to $845 per student. Pennsylvania is another state where things are heading toward greater inequality. In 1997 the gap between high- and low-poverty districts was $1059; by 2000, it had grown to $1248. In states like these, where the majority of poor children are performing at low levels on state and national tests, these burgeoning dollar gaps are unconscionable. But, as the data in Table 2 show, Arizona and Pennsylvania are by no means alone. Despite persistent achievement gaps in every state, funding gaps in many states have grown.

Table 2:

State and Local Funding Gaps – Over Time: 1997-2000

State	Gap Between Highest and Lowest Poverty Districts 1997	Gap Between Highest and Lowest-Poverty Districts 2000	Poverty Gap Change in Dollars 1997-2000	Poverty Gap % Change 1997-2000
Alabama	$742	$991	$249	34%
Alaska**	N/A	N/A	N/A	N/A
Arizona	$387	$845	$458	118%
Arkansas	$378	$76	-$302	-80%
California	$35	$59	$24	69%
Colorado	$580	$587	$7	1%
Connecticut	$635	$6	-$629	-99%
Delaware**	N/A	N/A	N/A	N/A
District of Columbia*	*	*	*	*
Florida	$178	$46	-$132	-74%
Georgia	$148	-$6	-$154	-104%
Hawaii*	*	*	*	*
Idaho	$227	$157	-$70	-31%
Illinois	$1,939	$2,060	$121	6%
Indiana	$614	$210	-$404	-66%
Iowa	$456	$471	$15	3%
Kansas	$451	$66	-$385	-85%
Kentucky	-$150	-$133	$17	11%
Louisiana	$997	$793	-$204	-20%
Maine	$269	$148	-$121	-45%
Maryland	$701	$912	$211	30%
Massachusetts	-$705	-$530	$175	25%
Michigan	$1,261	$1,103	-$158	-13%
Minnesota	-$264	-$601	-$337	-128%
Mississippi	$331	$133	-$198	-60%
Missouri	$253	$284	$31	12%
Montana	$1,538	$1,535	-$3	0%
Nebraska	$318	$516	$198	62%
Nevada	$429	-$280	-$709	-165%
New Hampshire	$1,006	$733	-$273	-27%
New Jersey	$587	-$324	-$911	-155%

[2]These data are not adjusted for inflation.
[3]See *The Other Gap: Poor Students Receive Fewer Dollars*, March 6, 2001, The Education Trust.

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New Mexico	$444	$86	-$358	-81%
New York	$2,794	$2,152	-$642	-23%
North Carolina	$413	$114	-$299	-72%
North Dakota	$32	$93	$61	192%
Ohio	$667	$394	-$273	-41%
Oklahoma	$66	-$57	-$123	-187%
Oregon	-$170	-$371	-$201	-118%
Pennsylvania	$1,059	$1,248	$189	18%
Rhode Island	$828	$273	-$555	-67%
South Carolina	$427	$332	-$95	-22%
South Dakota	$367	$171	-$196	-53%
Tennessee	-$138	-$497	-$359	-261%
Texas	$386	$518	$132	34%
Utah	-$440	-$422	$18	4%
Vermont	$684	$939	$255	37%
Virginia	$879	$885	$6	1%
Washington	$99	$145	$46	47%
West Virginia	$340	$199	-$141	-42%
Wisconsin	$676	$151	-$525	-78%
Wyoming	$895	$715	-$180	-20%
USA	$1,139	$966	-$173	-15%

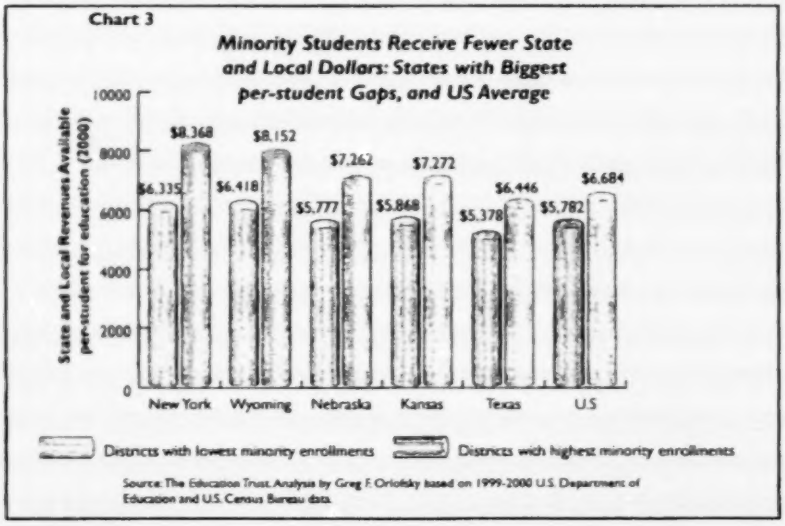
* Hawaii and the District of Columbia each have only a single district.

**States were excluded from this analysis if the district poverty level at the 75th percentile wasn't at least 25% higher than the district poverty level at the 25th percentile.

Source: The Education Trust. Analysis by Greg F. Orlofsky based on 1999-2000 U.S. Department of Education and U.S. Census Bureau Data.

Finding #3. Districts Serving the Greatest Number of Minority Students Get Less State and Local Money

These inequities persist when we look at the state and local revenues available to districts with the highest and lowest minority student enrollments. As the data in Table 3 show, in 31 of 47 states studied[4] districts enrolling the highest proportions of minority students receive substantially fewer (i.e. a difference of $100 or more per student) state and local education dollars per student than districts enrolling the lowest percentages of minority students. Chart 3 shows the states with the largest funding gaps by districts serving minority students, as well as the national gap.



[4]No race data were available for Idaho and Tennessee. Hawaii has a single state-wide district.

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Table 3:

Districts Educating Greatest Numbers of Minority Children Have Fewer State and Local Revenues to Spend on Education: 1999-2000

(state and local revenues available per-student for education in the quarter of districts with the lowest minority enrollment vs. quarter of districts with the highest minority enrollment):

State	Lowest-minority districts	Highest-minority districts	Gap Between revenues available PER STUDENT in the highest-and lowest-minority districts
Alabama	$5,926	$5,206	$720
Alaska	$5,097	$5,498	-$401
Arizona	$5,258	$4,852	$405
Arkansas	$5,274	$5,621	-$348
California	$5,405	$5,036	$369
Colorado	$6,194	$5,505	$689
Connecticut	$7,856	$7,448	$408
Delaware	$7,794	$7,129	$665
District of Columbia*	*	*	*
Florida	$5,774	$5,691	$83
Georgia	$6,345	$6,873	-$528
Hawaii*	*	*	*
Idaho**	-	-	-
Illinois	$6,365	$5,400	$965
Indiana	$7,007	$7,146	-$138
Iowa	$7,057	$6,412	$644
Kansas	$7,272	$5,868	$1,403
Kentucky	$5,365	$5,795	-$430
Louisiana	$5,431	$5,132	$299
Maine	$6,734	$6,451	$283
Maryland	$6,330	$6,175	$154
Massachusetts	$5,879	$6,880	-$1,001
Michigan	$7,156	$7,032	$124
Minnesota	$6,754	$7,340	-$586
Mississippi	$4,406	$4,612	-$206
Missouri	$5,453	$6,715	-$1,262
Montana	$5,855	$4,808	$1,048
Nebraska	$7,262	$5,777	$1,485
Nevada	$6,309	$5,926	$383
New Hampshire	$6,188	$5,335	$853
New Jersey	$8,935	$9,286	-$350
New Mexico	$5,077	$4,976	$100
New York	$8,368	$6,335	$2,034
North Carolina	$6,120	$5,901	$219
North Dakota	$6,160	$5,247	$913
Ohio	$6,216	$6,439	-$224
Oklahoma	$4,888	$4,524	$363
Oregon	$6,015	$6,344	-$328
Pennsylvania	$6,805	$6,098	$707
Rhode Island	$6,511	$6,077	$435
South Carolina	$5,961	$5,800	$160
South Dakota	$6,227	$5,192	$1,035
Tennessee**	-	-	-
Texas	$6,446	$5,378	$1,068
Utah	$4,492	$4,354	$138
Vermont	$8,717	$8,913	-$196
Virginia	$6,175	$6,155	$21
Washington	$5,717	$5,503	$214
West Virginia	$6,017	$6,226	-$208
Wisconsin	$7,775	$7,036	$738
Wyoming	$8,152	$6,418	$1,734
U.S.**	$6,684	$5,782	$902

*Hawaii and the District of Columbia each have only a single district.
** Race data were missing from the Common Core of Data for Idaho and Tennessee.
Source: The Education Trust. Analysis by Greg F. Orlofsky based on 1999-2000 U.S. Department of Education and U.S. Census Bureau Data.

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When looking only at state revenues for education, a majority of states actually exacerbate gaps between locally raised revenue by sending a disproportionate amount of state money to their lowest-minority districts. As the data in Table 4 show, of 47 states studied, 22 send subtantially less (i.e. a difference of $100 or more per student) money per student to districts educating the greatest numbers of minority students. New York, for example, sends an additional $1,339 per student in state revenue to the districts educating the fewest minority students as compared to those districts educating the greatest number of minority students. When this is added to the disparity in local revenue, New York's highest-minority school districts have $2,034 less per student than the districts educating the fewest minority students. In Kansas, differences in locally raised revenue leave the highest-minority districts with $204 less than the lowest-minority districts, but when you add state revenue the funding gap jumps to $1,403 per student.

Table 4:

State Revenues Only – by Districts serving highest and lowest numbers of Minority Students: Some States Exacerbate the Funding Gap: 1999-2000

(state revenues available per-student for education in the quarter of districts with the lowest minority enrollment vs. quarter of districts with the highest minority enrollment):

State	State Revenues Only: Lowest-minority districts	State Revenues Only: Highest minority districts	State Revenues Only: Gap between the highest- and lowest-minority districts
Alabama	$3,854	$3,836	$18
Alaska	$3,636	$3,830	-$194
Arizona	$2,246	$2,757	-$511
Arkansas	$4,433	$4,661	-$228
California	$2,899	$3,707	-$808
Colorado	$2,605	$2,677	-$72
Connecticut	$2,351	$4,483	-$2,133
Delaware	$5,968	$4,659	$1,309
District of Columbia*	*	*	*
Florida	$3,148	$3,265	-$117
Georgia	$3,654	$3,229	$426
Hawaii*	*	*	*
Idaho**	-	-	-
Illinois	$3,015	$2,767	$249
Indiana	$3,998	$3,928	$70
Iowa	$3,617	$3,484	$133
Kansas	$5,380	$4,181	$1,199
Kentucky	$4,207	$3,150	$1,056
Louisiana	$3,262	$2,704	$558
Maine	$3,394	$2,906	$488
Maryland	$2,843	$3,536	-$693
Massachusetts	$2,005	$4,152	-$2,147
Michigan	$5,056	$5,192	-$136
Minnesota	$4,595	$4,556	$39
Mississippi	$2,911	$2,854	$57
Missouri	$3,102	$3,369	-$267
Montana	$2,951	$2,536	$415
Nebraska	$2,456	$2,691	-$235
Nevada	$4,548	$3,705	$843
New Hampshire	$3,566	$2,935	$631
New Jersey	$2,651	$6,422	-$3,771
New Mexico	$4,232	$4,047	$185
New York	$4,346	$3,007	$1,339
North Carolina	$4,351	$4,249	$103
North Dakota	$2,771	$2,445	$326
Ohio	$3,298	$3,215	$82
Oklahoma	$2,875	$2,935	-$60
Oregon	$3,688	$3,726	-$39
Pennsylvania	$3,384	$2,846	$537
Rhode Island	$2,114	$4,142	-$2,028
South Carolina	$3,134	$3,397	-$264
South Dakota	$2,528	$2,567	-$38
Tennessee**	-	-	-
Texas	$2,607	$3,122	-$515
Utah	$3,058	$2,617	$442
Vermont	$6,973	$6,845	$128
Virginia	$3,276	$3,174	$101
Washington	$4,043	$3,777	$266
West Virginia	$4,422	$3,967	$455
Wisconsin	$4,577	$4,360	$217
Wyoming	$3,141	$4,702	-$1,562
U.S.**	$3,490	$3,516	-$27

Source: The Education Trust. Analysis by Greg F. Orlofsky based on 1999-2000 U.S. Department of Education and U.S. Census Bureau Data.

* Hawaii and the District of Columbia both have only a single district.
**Race data were missing from the Common Core of Data for Idaho and Tennessee.

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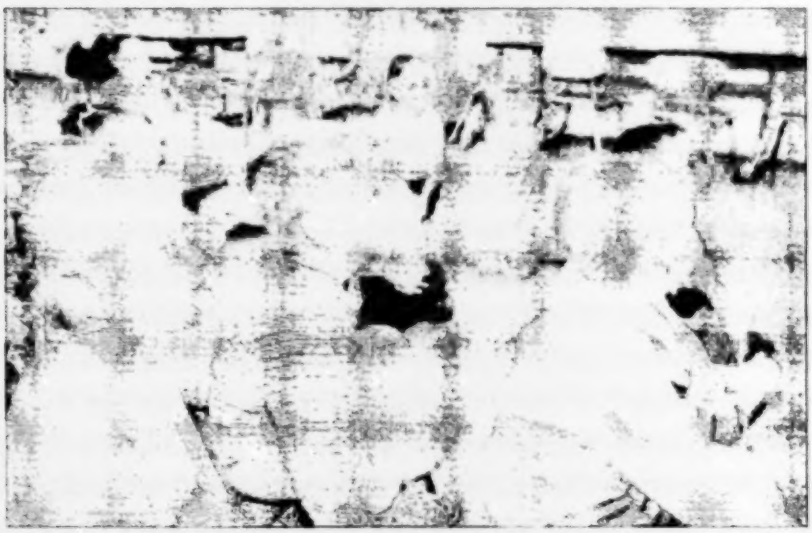
What Can States Do to Close these Gaps?

States establish the systems that fund public schools, and thus it is states that must act to close these gaps. The most common approaches are for states to reduce reliance on local property taxes by assuming a greater share of overall school funding and to heavily target poorer districts when distributing those state tax revenues.[5]

Most states now do some version of both of those things. How much the state needs to do is, of course, a function of how much inequality there is in local resources. The problem is that many don't do *enough* to make up for what can often be huge resource differences between poor and wealthy communities. Table 5 shows—for every state—what portion of total education funding (state, local and federal dollars combined) comes from state revenues and how the state ranks on that metric. It also shows how those state revenues are distributed across high- and low-poverty districts, and how the state ranks on a simple "targeting" metric.

Take, for example, New Jersey and Oregon. Both of these states target about $300 more of their combined state and local revenues toward the highest poverty districts in their state (see Table 1 for state-by-state figures). While they both target high-poverty districts to a similar end, they go about it in two very different ways. As Table 5 shows, New Jersey ranks towards the bottom on the percentage of state revenues making up its overall education funding pot (40%), but they are far and away the state that targets most heavily to high-poverty districts (ranking number 1 at 252% on that metric). Oregon's state revenues, on the other hand, make up a much larger percentage of their overall education funding pot (57%), but they don't target their funds in the same way that New Jersey does (coming in at 31 on that ranking, at 13%).



[5]In some cases, inequities are also a function of underinvestment at the local level.

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Table 5:

1. Assuming a Greater Share of Overall Funding		
State	Share of Total Funding from State Revenues	Rank (Out of 47)
Alabama	62%	8
Alaska **	N/A	N/A
Arizona	46%	30
Arkansas	75%	2
California	59%	14
Colorado	41%	39
Connecticut	40%	41
Delaware **	N/A	N/A
District of Columbia*	*	*
Florida	50%	25
Georgia	48%	27
Hawaii*	*	*
Idaho	61%	10
Illinois	37%	45
Indiana	51%	23
Iowa	51%	24
Kansas	63%	7
Kentucky	60%	12
Louisiana	49%	26
Maine	44%	32
Maryland	38%	44
Massachusetts	42%	38
Michigan	65%	5
Minnesota	60%	13
Mississippi	55%	20
Missouri	47%	28
Montana	44%	31
Nebraska	37%	46
Nevada	61%	9
New Hampshire	57%	17
New Jersey	40%	40
New Mexico	72%	3
New York	43%	33
North Carolina	65%	4
North Dakota	39%	42
Ohio	42%	36
Oklahoma	55%	18
Oregon	57%	16
Pennsylvania	38%	43
Rhode Island	42%	37
South Carolina	52%	22
South Dakota	35%	47
Tennessee	46%	29
Texas	43%	34
Utah	59%	15
Vermont	75%	1
Virginia	43%	35
Washington	64%	6
West Virginia	61%	11
Wisconsin	55%	19
Wyoming	52%	21
United States	50%	---

Source: U.S. Department of Commerce, Bureau of the Census, *Public Elementary-Secondary Education Finances: 1999-2000*, Table 5. *Percent Distribution of Elementary-Secondary School System Revenue by Source and State: 1999-00*, p. 24.

2. Target Those State Funds More Toward Poorer Districts				
State revenues per student given to least-poor districts	State revenues per student given to most-poor districts	Dollar Difference	Percent Difference	Rank (Out of 47)
$3,663	$3,857	-$194	5%	39
N/A	N/A	N/A	N/A	N/A
$2,280	$2,927	-$647	28%	20
$4,368	$4,415	-$47	1%	45
$2,643	$3,981	-$1,337	51%	11
$2,346	$2,796	-$450	19%	25
$1,662	$4,989	-$3,327	200%	2
N/A	N/A	N/A	N/A	N/A
*	*	*	*	*
$3,028	$3,427	-$399	13%	29
$3,030	$3,727	-$697	23%	21
*	*	*	*	*
$3,201	$3,493	-$293	9%	34
$1,732	$2,859	-$1,127	65%	9
$3,393	$4,155	-$761	22%	22
$3,339	$3,658	-$319	10%	33
$3,656	$4,778	-$1,121	31%	18
$3,304	$4,340	-$1,036	31%	17
$2,841	$2,985	-$143	5%	40
$2,584	$3,098	-$513	20%	23
$2,464	$3,525	-$1,061	43%	15
$1,582	$4,373	-$2,791	176%	3
$5,021	$5,238	-$217	4%	41
$3,491	$5,113	-$1,621	46%	13
$2,841	$2,940	-$99	3%	43
$2,472	$3,624	-$1,152	47%	12
$2,940	$2,638	$302	-10%	47
$2,477	$2,647	-$170	7%	37
$3,701	$3,805	-$103	3%	44
$3,187	$3,324	-$137	4%	42
$1,912	$6,721	-$4,809	252%	1
$3,844	$4,147	-$303	8%	36
$2,836	$3,270	-$434	15%	27
$3,931	$4,560	-$629	16%	26
$2,419	$2,767	-$348	14%	28
$1,981	$3,613	-$1,632	82%	8
$2,554	$3,284	-$730	29%	19
$3,453	$3,890	-$436	13%	30
$1,706	$3,326	-$1,620	95%	5
$2,100	$4,075	-$1,975	94%	6
$3,212	$3,411	-$199	6%	38
$1,812	$2,616	-$804	44%	14
$2,395	$2,647	-$252	11%	32
$2,051	$3,234	-$1,183	58%	10
$2,624	$2,949	-$326	12%	31
$6,886	$6,752	$134	-2%	46
$1,926	$3,532	-$1,606	83%	7
$3,655	$3,966	-$311	9%	35
$3,799	$4,530	-$731	19%	24
$3,429	$4,663	-$1,234	36%	16
$2,227	$4,952	-$2,726	122%	4
$2,705	$3,683	-$978	36%	---

Source: The Education Trust. Analysis by Greg F. Orlofsky based on 1999-2000 U.S. Department of Education and U.S. Census Bureau Data.

*Hawaii and District of Columbia both have only a single district.

** States were excluded from this analysis if the district poverty level at the 75th percentile wasn't at least 25% higher than the district poverty level.

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Additional Investment Indicators Available on EdWatch Online

A number of additional educational investment indicators—both state-by-state and for the nation—have been recently updated with the latest federal data, and are now available on our interactive State and National Database, *EdWatch Online* (www.edtrust.org: go to *Ed Watch Data*, then choose *Opportunity* in the top navigation bar, and then *Investments*).

Conclusion

The achievement gap separating poor and minority students from their peers is neither inevitable nor acceptable. We know that overall student achievement can be raised at the same time that such gaps are narrowed. Indeed, we see schools, entire school districts, and even some whole states doing just that all over the country (see *Dispelling the Myth Online* and *EdWatch Online* at www.edtrust.org). Many schools, however, have not done an acceptable job teaching poor and minority students. For the nation to meet its goal of leaving no child behind, much will have to change.

One thing that can and must change is the inequitable distribution of resources documented in this report. It is right that states, districts and schools step up to the plate to close the achievement gap that separates low-income and minority students from other students. States must also step up to the plate and allocate education funds where they are needed most. It is time to close the funding gap.

METHODOLOGY

The study was conducted for the Education Trust by school finance expert Greg F. Orlofsky, who analyzed a specially-constructed data base containing demographic and finance data for over 15,000 school districts in 1999-2000, the latest year for which comparable data currently are available. The analysis, conducted during May-June 2002, used techniques established by leading school finance experts to create a measure that is more sophisticated and reliable than the raw figures included in many other studies.

First, the methodology recognizes that federal education dollars are intended to supplement, rather than supplant, tax revenues raised from state and local sources. By analyzing revenues raised for education rather than simple expenditures, the Education Trust was able to separate out and exclude federal program dollars, which federal law forbids states from using to equalize basic education funding.

Second, as with almost all other studies of this sort, our study makes adjustments for the higher cost of educating students who live in places where educational supplies and services tend to be more expensive, such as large cities. To compensate for these high-cost factors, the Education Trust adjusted raw student enrollment and revenue figures using commonly accepted weights, including a special "Cost of Education Index" developed by the U.S. Department of Education. That approach results in a more powerful measure that captures each district's actual "purchasing power" per student.

Similarly, the study compensates for the higher cost of providing a comparable education to students who have special needs, such as poor students and students with disabilities, by applying the appropriate "student need" adjustments recommended by experts in the field.

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The Education Trust

The Education Trust was created to promote high academic achievement for all students at all levels, kindergarten through college. While we know that all institutions could better serve their students, our work focuses on the schools and colleges most often left behind in efforts to improve education: those serving Latino, African American, Native American and low-income students.

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